

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 EB-07 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-01

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-03

OPIC-03 XMB-02 /094 W

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R 210800Z JAN 75

FM AMEMBASSY TANANARIVE

TO SECSTATE WASHDC 6849

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

C O N F I D E N T I A L TANANARIVE 0110

E.O. 11652: GDS

TAGS: EINV MA

SUBJECT: MALAGASY GOVERNMENT CHARGES AGAINST OIL MARKETING COM-
PANIES

REF: TANANARIVE 0067 (REPEATED TO LONDON AND PARIS);

TANANARIVE A-135, 9/19/74 (NOTAL)

SUMMARY: SHELL AND CALTEX CONCERN GROWING OVER GOMR ACTIONS
AGAINST OIL MARKETING COMPANIES. SHELL CONSIDERS \$18.5
MILLION FINE AS MOTIVATED BY GOMR DESIRE TAKE OVER ASSETS IN
MADAGASCAR WITHOUT COMPENSATION, AND CONCERNED THAT TWO
SHELL MANAGERS MAY BE THROWN INTO JAIL IF FINE NOT PAID.
WE DETECT SIMILAR REACTION ON PART CALTEX. ESSO HAS NOT
CONTACTED EMBASSY SINCE PRELIMINARY DISCUSSION LAST SEPTEMBER,
PRESUMABLY BECAUSE IT AND TOTAL PREFER LOW POSTURE UNTIL
THEY RECEIVE GOMR LETTER ON FINES. SHELL APPROACHING BRITISH
FOREIGN OFFICE, JUST AS CALTEX PLANNING APPROACH DEPT AGAIN.
EMBASSY STILL PREPARED MAKE FURTHER REPRESENTATIONS TO GOMR
AT APPROPRIATE TIME. WE BELIEVE SITUATION COULD HAVE
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IMPLICATIONS UNDER U.S. LEGISLATION FOR AID AND GENERALIZED

TRADE PREFERENCES TO MADAGASCAR. END SUMMARY.

1. CALTEX MANAGER JULIAN DASHIELL CALLED UPON AMBASSADOR AND DCM ON JANUARY 17 TO FOLLOW UP ON EARLIER VISIT REPORTED REFTEL. NEW ELEMENT IN SITUATION IS DISAGREEMENT AMONG OIL COMPANIES ABOUT WHETHER OR NOT THEY SHOULD NOW TAKE ACTION VIS-A-VIS GOMR. CALTEX AND SHELL THINK THEY SHOULD WHILE TOTAL HEAD OFFICE IN FRANCE AND ESSO AFRICAN HEADQUARTERS IN LONDON DO NOT BECAUSE THOSE COMPANIES HAVE NOT YET RECEIVED GOMR LETTERS ON FINES. DASHIELL BELIEVES GOMR PLANS TO TAKE ON EACH COMPANY INDIVIDUALLY ONE AFTER ANOTHER TO MAXIMIZE CHANCES OF DIVIDING THEM. IN VIEW OF PRECEDING, DASHIELL NOW BELIEVES BEST HE CAN DO IS ATTEMPT TO BE LAST COMPANY TO FACE GOMR CHARGES THEREBY HOPING TO PROFIT FROM EXPERIENCE OF OTHERS. HE THEREFORE PLANS SLOW HIS SIGNING OF "PROCES VERBAUX." HE STILL PLANS TO SEE FINANCE AND ECONOMIC ADVISOR TO CHIEF OF GOVERNMENT RE REACTION TO PROPOSAL THAT DASHIELL BE PERMITTED DEPART MADAGASCAR IF HE REPLACED BY ANOTHER TEMPORARY MANAGER FROM ABROAD.

2. DASHIELL ALSO HAD COPY OF GOMR LETTER TO SHELL STATING THAT SHELL MANAGERS COULD TRAVEL AFTER ARRANGING BANK GUARANTEE IN AMOUNT OF FINE. IN CASE OF SHELL, FINE AMOUNTS TO ABOUT \$18.5 MILLION (FMG 4 BILLION).

3. DASHIELL SAID ACTION AGAINST OIL COMPANIES DISCUSSED AT RECENT GOMR CABINET MEETING, WHICH SPLIT BETWEEN "MODERATES" AND "HARD-LINERS." HE UNDERSTANDS MINISTER ECONOMY AND FINANCE IN MODERATE CAMP. IT IS SUSPECTED THAT MINISTER INTERIOR IS HARD-LINER IN VIEW HIS PUBLIC ATTACKS ON "NEFARIOUS" PRACTICES OF FOREIGN COMPANIES OVER PAST FEW MONTHS. FOREIGN MINISTER SAID TO HAVE PULLED HIMSELF AWAY FROM MATTER, APPARENTLY BECAUSE HE DISAGREES WITH ACTION AGAINST OIL COMPANIES, BUT DOES NOT WANT BE PUT IN POSITION OF APPEARING DEFEND FOREIGN INTERESTS.

4. DASHIELL SUGGESTED U.S. GOVT INTERVENTION MIGHT STRENGTHEN MODERATES' HAND. AMBASSADOR EXPLAINED AGAIN HOW HE PLANS TO PROCEED WITH GOMR (PARA 3 REFTEL). AMBASSADOR ADDED, HOWEVER, THAT IT WOULD SEEM PREFERABLE DELAY APPROACH UNTIL CONFIDENTIAL

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DASHIELL SIGNES "PROCES VERBAUX," AS APPROACH PRIOR TO THAT ACT WOULD GIVE GOMR PRETEXT FOR SIMPLY REPLYING THAT IT AWAITING SIGNATURE ON "PROCES VERBAUX."

5. BRITISH AMBASSADOR CROSTHWAIT CALLED ON AMBASSADOR OVER WEEKEND ON THIS MATTER FOLLOWING VISIT TO TANANARIVE LAST WEEK OF OFFICIAL FROM SHELL HEAD OFFICE IN LONDON. REQUEST BY THIS OFFICIAL TO MEET WITH MALAGASY MINISTER ECONOMY AND

FINANCE WENT WITHOUT REPLY. CONFIRMING PARA 2, ABOVE, INFORMATION. CROSTWAIT STATED SHELL'S ESTIMATE IS THAT MOTIVATION FOR GOMR ACTION AGAINST OIL COMPANIES IS TO TAKE OVER THEIR ASSETS IN MADAGASCAR WITHOUT COMPENSATION. FINE EXCEEDS SHELL'S BOOK VALUE IN MADAGASCAR BY 3-4 TIMES. (DASHIELL, FOR HIS PART, BELIEVES THAT GOMR MOTIVATION IS TO FORCE OIL COMPANIES EASE TERMS FOR TAKE-OVER OF REFINERY IN WHICH IT NOW HAS MINORITY INTEREST. ALL FOREIGN OIL MARKETING COMPANIES HAVE INTEREST IN REFINERY AND PROBABLY ARE WILLING TO SELL OUT TO GOMR BUT GOMR APPARENTLY NOT WILLING TO PAY CURRENT MARKET VALUE FOR SHARES. (SEE REFAIR.)

6. SHELL'S FIRST PRIORITY WITH GOMR IS TO TRY GET GENERAL AND FINANCIAL MANAGERS (BOTH FRENCH NATIONALS) OUT OF MADAGASCAR, LEAVING ISSUE OF FINE FOR LATER DISCUSSION. SHELL CONCERNED THAT, IF GOMR TAKES FINAL PROCEDURAL STEP IN LEVYING FINE, THIS WILL SET PROCEDURE INTO MOTION WHICH WILL RESULT IN JAILING OF MANAGERS. (RECENT ARREST OF SUBORDINATE COMPAGNIE MARSEILLAISE OFFICIALS ON REPORTEDLY MINOR OR FLIMSY CHARGES INTENSIFIES THIS CONCERN, WHICH THIS EMBASSY HAS ALSO DETECTED ON PART OF CALTEX MANAGER ABOUT HIMSELF AND CALTEX AMERICAN ACCOUNTANT.)

7. SHELL PLANNING APPROACH BRITISH FONOFF, APPARENTLY THIS WEEK. ALSO TRYING INDUCE TOTAL TO SEEK ACTIVE FRENCH FONOFF ROLE. CROSTHWAIT FEELS HIS POSITION RATHER AWKWARD ABOUT APPROACHING GOMR SINCE TWO SHELL MANAGERS ARE FRENCH, AND STATES FRENCH INTERVENTION APPEARS CONFINED SO FAR TO CONSUL GENERAL LEVEL.

8. AMBASSADOR FILLED IN CROSTHWAIT ON HIS TWO PREVIOUS INFORMAL APPROACHES IN OCTOBER TO MINISTER ECONOMY AND CONFIDENTIAL

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FINANCE AND ON PLANNED FURTHER ACTION. TWO EMBASSIES AGREED STAY IN TOUCH AND TO RESERVE POSSIBILITY OF JOINT APPROACH TO GOMR (PERHAPS WITH FRENCH) AT LATER DATE IF SEEMS ADVISABLE.

9. COMMENTS: STRATEGY OF SEPARATING ISSUE OF RESTRICTIONS ON MANAGERS FROM FINES SEEMS UNLIKELY CARRY VERY FAR SINCE GOMR NOW APPARENTLY TAKING POSITION MANAGERS CAN DEPART IF THEIR COMPANIES PUT UP BANK GUARANTEES EQUIVALENT TO AMOUNT OF FINES. THUS, IF WE MAKE FURTHER APPROACH, WE LIKELY BE REQUIRED RAISE UNREASONABLENESS OF FINES.

10. WE WOULD OF COURSE POINT OUT TO GOMR ADVERSE IMPACT OF THIS ACTION ON FOREIGN INVESTMENT PROSPECTS. IN

ADDITION, NATURE OF CASES AND AMOUNT OF FINES MAY RAISE
QUESTION AS TO WHETHER GOMR ACTION REPRESENTS
CONFISCATION OF OIL COMPANY ASSETS, WITH IMPLICATIONS UNDER
U.S. LEGISLATION FOR BOTH AID AND GROWING GENERALIZED
TRADE PREFERENCES TO MADAGASCAR. IF DEPT CONCURS, WE
SHALL ALSO ALLUDE TO THESE POSSIBILITIES IF SEEMS USEFUL
IN COURSE OF FURTHER APPROACH TO GOMR.
MENDENHALL

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